



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265
ISSUED: MAY 9, 2003

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File

IN REPLY PLEASE
REFER TO OUR FILE
R-00027522 ETAL.

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AH

SCOTT D FOGELSANGER
GARY D SHAMBAUGH
AUS CONSULTANTS UTILITY SERVICES
WEBER FICK & WILSON DIVISION
1000 N FRONT STREET SUITE 200
WORMLEYSBURG PA 17043

MAY 09 2003

Pennsylvania Public Utility Commission
Irwin A. Popowsky, Consumer Advocate
West Manheim Township
McSherrystown Borough

OFFICE OF
CONSUMER ADVOCATE
R-00027522
R-00027522C0001
R-00027522C0002
R-00027522C0003

V.
Borough of Hanover
Hanover Municipal Water Works

TO WHOM IT MAY CONCERN:

1011

Enclosed is a copy of the Recommended Decision of Administrative Law Judge Louis G. Cocheres.

An original and nine (9) copies of signed exceptions to the decision, if any, **MUST BE FILED WITH THE SECRETARY OF THE COMMISSION, 2ND FLOOR, KEYSTONE BUILDING, 400 NORTH STREET, HARRISBURG, PA OR MAILED TO P.O. BOX 3265, HARRISBURG, PA 17105-3265;** a copy in the hands of the Office of Special Assistants Third Floor; and a copy in the hands of each party of record no later than **May 16, 2003 by 4:30 P.M.** 52 Pa. Code §1.56(b) cannot be used to extend the prescribed period for the filing of exceptions. A certificate of service shall be attached to the filed exceptions.

Exceptions shall obey 52 Pa. Code 5.533 and 5.535, particularly the 40-page limit for exceptions. Exceptions should be clearly labeled as "EXCEPTIONS OF (name of party) - (protestant, complainant, staff, etc.)."

Reply exceptions will not be accepted for filing and will not be entertained by the Commission.

Any reference to specific sections of the Administrative Law Judge's Recommended Decision shall include the page number(s) of the cited section of the decision.

Parties are also requested to provide the Commission's Office of Special Assistants with a copy of exceptions/reply exceptions on a computer disk, 3 1/2" in size, in Microsoft Word 6.0 format. If Word 6.0 is not available, either Wordperfect 5.1 or ASCII format is acceptable.

Very truly yours,

James J. McNulty
Secretary

Encls.
Certified Mail
Receipt Requested
FG

See Attached Listing for Additional Parties of Record

SCOTT D FOGELSANGER
GARY D SHAMBAUGH
AUS CONSULTANTS UTILITY SERVICES
WEBER FICK & WILSON DIVISION
1000 N FRONT ST SUITE 200
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RICHARD A KANASKIE ESQUIRE
PA PUC OFFICE OF TRIAL STAFF
PO BOX 3265
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555 WALNUT ST 5TH FL FORUM PLACE
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RHOADS & SINON LLP
PO BOX 1146
12TH FL ONE SOUTH MARKET SQUARE
HARRISBURG PA 17108-1146

BOROUGH OF MCSHERRYSTOWN
338 MAIN STREET
MCSHERRYSTOWN PA 17344

JOHN W PHILLIPS ESQUIRE
101 W MIDDLE STREET
GETTYSBURG PA 17325

CHARLES B ZWALLY ESQUIRE
GUY P BENEVENTANO ESQUIRE
METTE EVANS & WOOSIDE
3401 NORTH FRONT STREET
HARRISBURG PA 17110

WEST MANHEIM TOWNSHIP
31 FAIRVIEW DRIVE
HANOVER PA 17331

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos.
	:	R-00027522
Irwin A. Popowsky, Consumer Advocate	:	
	:	R-00027522C0001
West Manheim Township	:	
	:	R-00027522C0002
McSherrystown Borough	:	
	:	R-00027522C0003
v.	:	
Borough of Hanover	:	
Hanover Municipal Water Works	:	

RECOMMENDED DECISION

Before
Louis G. Cocheres
Administrative Law Judge

I. HISTORY OF THE PROCEEDING

On August 30, 2002, the Borough of Hanover/Hanover Municipal Water Works (Hanover or Borough) filed Supplement No. 15 to Tariff Water-Pa. P.U.C. No. 3, to become effective October 29, 2002. Supplement No. 15 proposed changing rates to produce an increase in annual revenues of \$521,339 which was an increase in revenues of 20.2%. By Order, entered October 24, 2002, the Commission suspended the proposed increase and instituted an investigation.

On September 24, 2002, the Office of Trial Staff (OTS) filed its Notice of Appearance. On October 4, 2002, the Office of Consumer Advocate (OCA) filed a Complaint against the proposed increase. On October 16, 2002, McSherrystown Borough filed a Complaint

against the proposed increase. On October 29, 2002, West Manheim Township filed a Complaint against the proposed increase.

On December 19, 2002, I held a brief Prehearing Conference. Immediately after the Conference the parties entered into their first Mediation Session. Two additional Mediation Sessions were held.

On January 23, 2003, the Commission received a letter on behalf of McSherrystown Borough seeking to withdraw its Complaint. The request was granted and the record at Docket No. R-00025722C0003 was closed by Secretarial Letter, dated February 14, 2003.

By letter dated February 20, 2003, Hanover sent its Joint Petition For Settlement (Joint Petition or Settlement) to me. The cover letter explained that the Joint Petition had been executed by all of the remaining parties, except one, and that West Manheim Township's approval was expected. By letter dated, March 5, 2003, West Manheim Township joined the Joint Petition. The entire Settlement includes the Joint Petition, Appendix "A" which is the proposed new rate schedule (Supplement No. 18), Appendix "B" which is the proof of operating revenue calculation under the settlement rates, Appendix "C" which is the Statement On Behalf Of The Borough Of Hanover In Support Of Joint Petition For Settlement, Appendix "D" which is the Office Of Trial Staff Statement In Support Of Settlement Petition, Appendix "E" which is the Statement Of The Office Of Consumer Advocate In Support Of Joint Petition For Settlement and West Manheim Township's letter, dated March 5, 2002. A copy of all of these documents is attached to this Recommended Decision.

II. DISCUSSION

My review of the Joint Petition and its attachments led me to the conclusion that the Settlement is straightforward, easy to understand, in the public interest and that it should be approved without modification. No portion of the Settlement needs further explanation. What follows is only a brief review of the highlights of the Joint Petition.

The originally filed rate request was calculated to produce an increase in annual revenues in the amount of \$521,339. The Settlement lowers that increase to \$214,450. Joint Petition at 3, ¶9. The originally filed rate request was calculated to produce an increase for the typical residential customer from the current \$40.72 to \$46.13 for 11,000 gallons per quarter. The Settlement lowers the quarterly residential increase to \$43.03 from the current \$40.72. Settlement rates for the other customer classes were lowered as well. Joint Petition at 3, ¶10. Included in the Settlement is a stay-out provision which would prevent Hanover from returning for another rate increase until May 1, 2004. Joint Petition at 4, ¶11.

The Settlement alleged that it was in the public interest to accept the Joint Petition because 1) the Settlement provides a small municipal system with quick access to additional revenue and will assist Hanover in providing safe and adequate service, 2) the Settlement provides for the continuation of safe and adequate service, 3) the Settlement ends expensive litigation and 4) the Settlement utilized the Commission's Alternative Dispute Resolution process to good advantage. Joint Petition at 4, ¶12. I agree and, as noted above, recommend approval of the Joint Petition as expeditiously as possible.

III. ORDER

NOW THEREFORE, IT IS RECOMMENDED:

1. That the Joint Petition For Settlement, Appendix "A" and Appendix "B" filed by the Borough of Hanover/Hanover Municipal Water Works, Office of Trial Staff, Office of Consumer Advocate and West Manheim Township are hereby approved.

2. That, upon entry of a Commission Order approving the Joint Petition For Settlement, Appendix "A" and Appendix "B", the Borough of Hanover shall file Supplement No. 18 to Water-Pa. P.U.C. No. 3 to become effective on one day's notice for service rendered on and after the date after the entry date of the Commission Order.

3. That, upon the entry of the Commission Order approving the Joint Petition For Settlement, Appendix "A" and Appendix "B", the record at Docket Nos. R-00027522, R-00027522C0001 and R-00027522C0002 shall be marked closed.

DATED: May 6, 2003


LOUIS G. COCHERES
Administrative Law Judge

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, <u>et al.</u>	:	Docket Nos. R-00027522
v.	:	R-00027522C0001 – C0003
The Borough of Hanover/Hanover Municipal Water Works	:	

JOINT PETITION FOR SETTLEMENT

AND NOW, this 26th day of February, 2003, come the parties to the above-captioned proceeding, the Office of Trial Staff ("OTS") by and through its Prosecutor, Richard A. Kanaskie; The Office of Consumer Advocate ("OCA"), by and through its Senior Assistant Consumer Advocate, Christine Maloni Hoover; The Township of West Manheim, by and through its attorney, Charles B. Zwally; and The Borough of Hanover, by and through its attorney, Jan P. Paden, and file the following Joint Petition for Settlement.

INTRODUCTION

1. On August 30, 2002, The Borough of Hanover/Hanover Municipal Water Works ("Hanover" or "Borough") filed Supplement No. 15 to Tariff Water-Pa. P.U.C. No. 3, to become effective October 29, 2002, containing proposed changes in rates, rules and regulations calculated to produce \$521,339 in additional revenues, based upon the experienced level of operations in the future test year ending December 31, 2002. The Borough's proposal represented an overall increase in annual revenues of 20.2%.

2. By Order entered October 24, 2002, at Docket No. R-00027522, the Commission instituted an investigation to determine the lawfulness, justness, and reasonableness of the proposed rates, rules and regulations. The Order directed the OALJ to assign the matter to an ALJ for an expedited Alternative Dispute Resolution, if possible, or to schedule such hearings as are necessary for the ALJ to render a Recommended Decision.

3. Three complaints were filed against the proposed rate increase. On October 4, 2002, the Office of Consumer Advocate ("OCA") filed a Formal Complaint against the rate request, docketed at R-0027522C0001. On October 29, 2002, Complaints were filed by West Manheim and McSherrystown Borough, docketed at R-00027522C0002 and R-00027522C0003, respectively. The Office of Trial Staff filed a Notice of Appearance. Subsequently, the McSherrystown complaint was withdrawn.

4. Pursuant to 66 Pa. C.S. § 1308(d), the filing was suspended by operation of law. By virtue of the Borough's filing a tariff supplement in compliance with the regulations concerning mediation, the suspension date was extended to July 28, 2003.

5. The Borough requested that the proceeding be assigned to mediation for potential resolution through that ADR process. None of the parties objected to the utilization of the mediation process and thus the case was assigned to Administrative Law Judge Louis G. Cocheres, as presiding Administrative Law Judge, and to Herbert R. Nurick, Mediation Coordinator, as mediator.

6. A Prehearing Conference was held on December 19, 2002, with ALJ Louis G. Cocheres presiding. Immediately following the aforementioned Prehearing Conference, an initial mediation conference was convened. All parties were represented at both the Prehearing

Conference and the initial mediation conference. Pursuant to a mediation notice, further mediation sessions were held before Herbert R. Nurick on January 9 and January 22, 2003.

7. Extensive discovery proceedings were undertaken by the parties during the pendency of the proceeding.

8. While the mediation sessions did not immediately result in an amicable resolution of the various parties' positions, such sessions laid the foundation for further discussions between the parties. These discussions ultimately resulted in an agreement between the parties as to the terms of a settlement of the proceedings as more specifically set forth herein.

DETAILS OF PROPOSED SETTLEMENT

9. The substance of the settlement is that the Borough, OTS, OCA and the remaining Complainant, West Manheim Township, agree that the Borough will file a compliance tariff to be effective on one day's notice, upon entry of a Commission Order approving the recommendation by ALJ Cocheres to adopt this settlement. The compliance tariff shall be designed to produce a \$214,450 increase in annual jurisdictional base revenue, which represents approximately 41.1% of the Borough's original request.

10. The net impact of the settlement upon a typical metered residential customer using 11,000 gallons of water per quarter would be an increase in such customer's bill from \$40.72 to \$43.03. This is contrasted with the impact to such customer under the rates proposed in the Borough's filing which would have increased the typical residential customers to \$46.13 per quarter.

11. Based on the Borough's 2002 projected volumetric sales contained in the Borough's rate filing, the Borough will be afforded the opportunity to recover approximately \$2,797,445 in total annual revenues under this settlement.

12. The Borough agrees that, if ALJ Cocheres recommends approval of this Settlement and the Commission approves this Settlement as proposed, it will not file a base rate increase request under 66 Pa. C.S. § 1308(d) prior to May 1, 2004.

13. This Settlement is in the public interest because it (i) provides a relatively small municipal water utility with immediate additional revenue which it requires in order to assist in providing safe and adequate service; (ii) provides for the maintenance of safe and adequate service; (iii) discontinues cost-prohibitive litigation and the attendant administrative burden thereof; and (iv) utilizes the Commission's ADR process to good advantage.

14. This Settlement is proposed by the Joint Petitioners to settle the instant case and is made without any admission against or prejudice to any positions which any Joint Petitioner might adopt during subsequent litigation, including further litigation in this case if this Settlement is rejected by the Commission or any of the Joint Petitioners withdraws from such Settlement as provided below. Furthermore, this Settlement shall not be cited as precedent and shall have no precedential value. This Settlement is conditioned upon the Commission's approval of all terms and conditions contained herein. If the Commission should fail to grant such approval or should modify the terms and conditions herein, this Settlement may be withdrawn upon written notice to the Commission and all parties within five (5) business days by any withdrawing Joint Petitioner and, in such event, shall be of no force and effect. In the event that the Commission does not approve the Settlement or any Joint Petitioner elects to withdraw as noted above and the proceeding continues to hearing, the Joint Petitioners reserve their

respective rights to submit direct testimony as well as rebuttal and surrebuttal testimony and to conduct full cross-examination, briefing and argument in this rate proceeding.

15. If ALJ Cocheres in his Recommended Decision recommends that the Commission adopt this Settlement as herein proposed, Joint Petitioners agree to waive the filing of Exceptions. However, Joint Petitioners do not waive their rights to file Exceptions with respect to any modifications to the terms and conditions of this Settlement, or any additional matters, proposed by ALJ Cocheres in his Recommended Decision. The Joint Petitioners reserve the right to file Reply Exceptions to any Exceptions which may be filed.

16. A copy of the Borough's proposed compliance tariff filing implementing the settlement rates is attached to this Joint Petition as Appendix "A" and incorporated herein by reference.

17. A proof of revenue calculation for revenues generated under the settlement rates is attached hereto as Appendix "B" and incorporated herein by reference.

18. In support of this Joint Petition for Settlement supporting statements of the Borough, the Office of Trial Staff, and the Office of Consumer Advocate are attached hereto as Appendices "C" through "E", respectively.

WHEREFORE, Joint Petitioners respectfully request that:

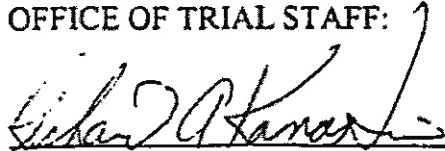
(a) Administrative Law Judge Cocheres and the Commission expeditiously approve the settlement embodied in this Joint Petition for Settlement, including all terms and conditions thereof; and

(b) The Commission grant the Borough permission to file the Tariff Supplement annexed hereto to become effective in accordance with its terms on one day's notice upon entry of a Commission Order, for service rendered on and


after the effective date established by the Commission's approval of this
settlement and Administrative Law Judge Cocheres' Recommended Decision.

Respectfully submitted,


On behalf of
OFFICE OF TRIAL STAFF:


Richard A. Kanaskie, Esquire
Prosecutor


On behalf of
WEST MANHEIM TOWNSHIP:


Charles B. Zwally, Esquire

On behalf of
OFFICE OF CONSUMER ADVOCATE:


Christine Maloni Hoover, Esquire
Senior Assistant Consumer Advocate

On behalf of
THE BOROUGH OF HANOVER:


Jan P. Paden, Esquire

APPENDIX "A"

BOROUGH OF HANOVER
HANOVER MUNICIPAL WATER WORKS

RATES, RULES, AND REGULATIONS GOVERNING
THE DISTRIBUTION OF WATER
IN
THE TOWNSHIP OF PENN IN YORK COUNTY
AND
THE TOWNSHIP OF CONEWAGO IN ADAMS COUNTY
AND
THE BOROUGH OF McSHERRYSTOWN IN ADAMS COUNTY
PENNSYLVANIA

Issued: _____

Effective: _____

By: Bruce Rebert, Borough Manager
Borough of Hanover
Hanover Municipal Water Works
44 Frederick Street
Hanover, PA 17331

THIS SUPPLEMENT MAKES INCREASES AND CHANGES IN EXISTING RATES

(see Page No. 2)

Supplement No. 18
to
Water-Pa. P.U.C. No. 3
Tenth Revised Page No. 2
HANOVER MUNICIPAL WATER WORKS Canceling Ninth Revised Page No. 2

List of Changes Made by this Supplement

Increases:

Supplement No. 18 increases rates to produce additional revenue of \$214,450.

Issued: _____

Effective: _____

Table of Contents

Title Page	1	Supplement No. 18
List of Changes Made by this Supplement	2	Tenth Revised
Table of Contents	3	Ninth Revised
Schedule of Meter Rates	4	Eighth Revised
(intentionally Left Blank)	5	Fourth Revised
Schedule of Fire Service Rates	6	Eighth Revised
(intentionally Left Blank)	7	Fifth Revised
Rules and Regulations:		
1. Definitions		8-9 Original
2. Filing, Posting and Effect		9 Original
3. Application for Service		9-10 Original
4. Connections to Water Supply System		10 Original
5. Regulation of Supply		11 Original
6. Interruption, Discontinuance or Termination of Service		11 Original
7. Bills and Penalties		12-13 First Revised
8. Metered Service		14 First Revised
9. Meter Installations		15 First Revised
10. Fire Service		15 First Revised
11. Extension of Mains		15 First Revised
11. Extension of Mains		16-18 Original
11. Extension of Mains		19 First Revised
13.-16. Water Conservation Contingency Plan		20-22 Original

Schedule of Meter RatesApplication:

This schedule is applicable to all metered customers located outside the corporate limits of the Borough of Hanover.

Base Charges:

<u>Size of Meter</u>	<u>Per Quarter</u>
5/8"	\$ 26.53
3/4"	36.72
1"	57.09
1-1/2"	108.01
2"	169.12
3"	362.63
4"	617.25
6"	1,279.26
8"	1,839.43

<u>Consumption Charge</u>	<u>Rate per 1,000 Gallons</u>
All consumption	\$1.50 (I)

NOTE: For services that are temporarily disconnected, the base charge will apply for the period of disconnection.

(I) Indicates Increase

Issued: _____

Effective: _____

Supplement No. 18
to
Water-Pa. P.U.C. No. 3
Fourth Revised Page No. 5
HANOVER MUNICIPAL WATER WORKS Canceling Third Revised Page No. 5

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Issued: _____

Effective: _____

Schedule of Fire Service Rates

Private and Public Fire Service

<u>Standard Fire Hydrants:</u>	<u>Per Annum</u>	<u>Per Quarter</u>
For a standard fire hydrant	\$ 277.57	\$ 69.39
<u>Fire Sprinkler Service and Fire Hose Connections:</u>		
For a four (4) inch connection to the street main:	95.55	23.89
For a six (6) inch connection to the street main:	277.57	69.39
For a eight (8) inch connection to the street main:	591.51	147.88
For a ten (10) inch connection to the street main:	1,063.74	265.94
For a twelve (12) inch connection to the street main:	1,718.23	429.56

Issued: _____

Effective: _____

APPENDIX "B"

**Borough of Hanover
Hanover Municipal Water Works - Outside Borough Limits**

Operating Revenues Under Proposed Settlement Rates

Residential:	Number	Rate	Revenue
Customer Charges:	of Bills		
3" Monthly	12	\$120.88	\$1,450.56
5/8" Quarterly	33,340	\$26.53	884,510.20
3/4" Quarterly	72	\$36.72	2,643.84
1" Quarterly	100	\$57.09	5,709.00
1 1/2" Quarterly	24	\$108.01	2,592.24
2" Quarterly	40	\$169.12	6,764.80
3" Quarterly	8	\$362.63	2,901.04
4" Quarterly	4	\$617.25	2,469.00
Total Customer Charges			\$909,040.68
Consumption Charges:	Thousand	Rate	
All Consumption	<u>Gallons</u> 435,540	\$1.500	\$653,310.00
Total Residential Revenue			\$1,562,350.68

Commercial:	Number	Rate	
Customer Charges:	of Bills		
5/8" Monthly	24	\$8.84	\$212.16
1" Monthly	12	\$19.03	228.36
1 1/2" Monthly	12	\$35.00	432.00
2" Monthly	24	\$56.37	1,352.88
4" Monthly	24	\$205.75	4,938.00
5/8" Quarterly	872	\$26.53	23,134.15
3/4" Quarterly	52	\$36.72	3,378.24
1" Quarterly	232	\$57.09	13,244.88
1 1/2" Quarterly	72	\$108.01	7,776.72
2" Quarterly	112	\$169.12	18,941.44
3" Quarterly	8	\$362.63	2,901.04
4" Quarterly	4	\$617.25	2,469.00
6" Quarterly	4	\$1,279.25	5,117.04
Total Customer Charges			\$84,125.92
Consumption Charges:	Thousand	Rate	
All Consumption	<u>Gallons</u> 83,770	\$1.500	\$125,655.00
Total Commercial Revenue			\$209,780.92

Industrial:	Number	Rate	
Customer Charges:	of Bills		
5/8" Monthly	12	\$8.84	\$105.08
3/4" Monthly	12	\$12.24	146.88
1" Monthly	12	\$19.03	228.36
1 1/2" Monthly	60	\$36.00	2,160.00
2" Monthly	120	\$56.37	6,764.40
3" Monthly	48	\$120.88	5,802.24
4" Monthly	84	\$205.75	17,283.00
6" Monthly	24	\$426.42	10,234.08
5/8" Quarterly	84	\$26.53	2,228.52
3/4" Quarterly	8	\$36.72	293.76
1" Quarterly	32	\$57.09	1,826.88
1 1/2" Quarterly	32	\$108.01	3,456.32
2" Quarterly	24	\$169.12	4,058.88
3" Quarterly	16	\$362.63	5,802.08
4" Quarterly	4	\$617.25	2,469.00
Total Customer Charges			\$62,850.48
Consumption Charges:	Thousand	Rate	
All Consumption	<u>Gallons</u> 414,507	\$1.500	\$621,760.50
Total Industrial Revenue			\$684,620.98

**Borough of Hanover
Hanover Municipal Water Works - Outside Borough Limits**

Operating Revenues Under Proposed Settlement Rates

Public:	Number		
Customer Charges:	of Bills	Rate	Revenue
2" Monthly	12	\$56.37	\$676.44
3" Monthly	12	\$120.88	1,450.56
5/8" Quarterly	24	\$26.53	636.72
3/4" Quarterly	4	\$36.72	146.88
1" Quarterly	20	\$57.09	1,141.80
1 1/2" Quarterly	16	\$108.01	1,728.16
2" Quarterly	24	\$189.12	4,058.88
3" Quarterly	8	\$362.63	2,901.04
4" Quarterly	4	\$617.25	2,469.00
Total Customer Charges			\$15,209.48
Consumption Charges:	Thousand	Rate	
All Consumption	Gallons		
	13,222	\$1.500	\$19,833.00
Total Public Revenue			\$35,042.48
Resale:	Number		
Customer Charges:	of Bills	Rate	
4" Monthly	24	\$205.75	\$4,938.00
Total Customer Charges			\$4,938.00
Consumption Charges:	Thousand	Rate	
All Consumption at or under	Gallons		
the Contract Amount	71,618	\$1.500	\$107,427.00
All Consumption over the			
Contract Amount	2,071	\$1.500	3,106.50
Total Resale Revenue			\$115,471.50
Fire Protection:	No. of	Annual	
	Units	Rate	
Public Fire Hydrants	352	\$277.57	\$97,704.64
Private Fire Hydrants	137	\$277.56	38,025.72
4" Fire Connection	9	\$95.56	860.04
6" Fire Connection	24	\$277.56	6,661.44
8" Fire Connection	22	\$591.56	13,014.32
10" Fire Connection	14	\$1,063.76	14,892.64
Total Fire Protection Revenue			\$171,158.80
Customer Penalties			\$4,455.00
Miscellaneous			14,466.00
Total Operating Revenue at Settlement Rates			\$2,797,348.36
vs. Operating Revenue at Present Rates (12/31/02)			(\$2,582,995.00)
Settlement Increase			\$214,351.36

APPENDIX “C”

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	
<u>et al.</u>	:	Docket Nos. R-00027522
	:	R-00027522C001-C003
v.	:	
The Borough of Hanover/Hanover	:	
Municipal Water Works	:	

STATEMENT ON BEHALF OF
THE BOROUGH OF HANOVER
IN SUPPORT OF JOINT PETITION FOR SETTLEMENT

The Borough of Hanover (the "Borough" or "Hanover") joins in support of the Joint Petition for Settlement with the Office of Trial Staff ("OTS") of the Public Utility Commission, the Office of Consumer Advocate ("OCA"), and the Township of West Manheim.

This settlement was achieved after thorough scrutiny of the Borough's filing, including formal and informal discovery by the Bureau of Fixed Utility Services, the Office of Trial Staff, the Office of Consumer Advocate and the Township of West Manheim, and, after lengthy Alternative Dispute Resolution negotiations presided over by Mediator Herbert R. Nurick, Mediation Coordinator.

The Borough respectfully requests that presiding Administrative Law Judge Louis G. Cocheres recommend, without modification, approval of the settlement to the Commission. The basis for this request is stated in the Joint Petition for Settlement and is further supported by the following factors:

I. BACKGROUND

Hanover is a municipal corporation situate in York County, Pennsylvania organized and existing under the provisions of the Borough Code. The Borough is bordered on the north, east and south by Penn Township, York County, and on the west by Conewago Township, Adams County.

Hanover's water system provides retail water service to the public inside the Borough limits, which is non-jurisdictional service, and outside the Borough, which service is subject to the jurisdiction of the Commission. As of the end of 2001, the water system served 6,494 customers inside the Borough and 8,769 customers located outside of the Borough. Currently, the Borough provides retail service to approximately 6,538 customers located inside the Borough and to approximately 8,940 customers who are located outside of the Borough's limits.

Retail water service to the public outside of the Borough's corporate limits includes service to customers in the Township of Penn, York County, and the Borough of McSherrystown and Conewago Township, Adams County. In addition, the water system provides water to West Manheim Township on a sale for resale basis under and pursuant to an intermunicipal agreement between the Borough and the Township which was negotiated in 1971.

The Borough first began to provide water service to its residents in 1932 when the Borough purchased the existing facilities of a distressed water company. That company, or its predecessors, had provided water service in the Borough since the early 1870's. Subsequently, as growth in areas outside the Borough presented demands for public water service in those areas, the Borough agreed to expand its retail service to other municipalities, including the Townships of Penn and Conewago and the Borough of McSherrystown.

The growth in the demand for water has been generated by the growth in both industry and the number of residential users located outside of the Borough. In 1984, the Borough's water system served 5,630 customers inside the Borough and their total annual consumption amounted to 559,644,000 gallons. In that same year, the Borough provided water service to 4,623 customers located outside the Borough whose total annual consumption amounted to 799,063,000 gallons. In 1991, the total number of in-Borough customers was 6,004 and the total consumption by in-Borough customers was 552,116,000, a decrease of approximately 7,528,000 gallons in annual consumption from the 1984 levels. By comparison, the total number of customers served from the Borough's water system located outside the Borough in 1991 was 6,829 and the water consumption of those outside the Borough customers totaled 972,889,000 gallons.

As previously stated, the current number of in-Borough customers is approximately 6,538 while outside the Borough customers now total approximately 8,940 customers. The current annual volumetric consumption for customers inside the Borough is approximately 550,944,000 gallons. This can be compared to the current outside-the-Borough annual volumetric consumption of approximately 1,021,192,000 gallons.

In summary, while current consumption by in-Borough customers actually decreased by something in excess of 1.5% from the in-Borough consumption levels experienced in 1984, the consumption by customers located outside the Borough increased by approximately 27.8% over the same period. Total consumption by outside the Borough customers was approximately 65% of the total system consumption in 2002. This illustrates that the growth in system demand has been caused by growth in demand from sources outside the Borough. Such growth in demand has precipitated almost all of the capital improvement projects which have been undertaken by

the Borough since 1984 and all of the capital improvements or additions which were capacity related.

The major components of the Hanover water system consist of the water collection system, the filtration plant and associated appurtenances (purification system), pumping stations, wells, transmission and distribution lines or mains, storage facilities and general property. In addition to these major components, of course, are a number of additional items such as fire hydrants, meters and services.

The Borough's water collection system (water supply) consists chiefly of two reservoirs, a collection reservoir, well structure, intake and pumping station at Slagle's run, aqueducts and supply mains, the Jacobs farm production/collection property, the other wells of the Borough and storage facilities.

The two main reservoirs are the Sheppard and Myers Dam and the Lawrence Baker Sheppard Dam. The Sheppard and Myers Dam covers 46½ acres with a watershed area of approximately 5.8 square miles. Its capacity is approximately 190,400,000 gallons and is required to release 542,000 gallons per day for conservation purposes. The Lawrence Baker Sheppard Dam (also known as Long Arm Dam) covers 225 acres and has a watershed area of approximately 5.62 square miles. This dam has a capacity of 1,660,000,000 gallons and is required to release 552,000 gallons per day for conservation purposes. The water supply for this dam originates in Carroll County, Maryland and the dam receives water from two main inlet streams (one being Long Arm Creek and the other being unnamed).

The Slagles Run Intake, Pumping Station and Well was constructed in 1994 and has a watershed area of approximately 10.27 square miles. Drainage from the north and east sides of Penn Township, north side of the Borough and Conewago and Berwick Townships in Adams

County goes into streams to form Slagle's Run. In addition, ground water from Vulcan Materials Company is pumped into the stream and water from the Borough's well located near Oxford Avenue and Black Lane is discharged into the intake structure. The Slagle's Run pumping Station is permitted for pumping of 4,800,000 gallons per day with a one million gallon per day conservation release. The water from Slagle's Run is pumped to Clear Lake via a 20" main and is treated at the Filter Plant.

Clear Lake is a man-made holding lake located at the Borough's filter plant. It covers approximately 13 acres and has a capacity of 66,000,000 gallons. The lake serves as a sedimentation basin and a temporary clean source of water in the event of stream degradation. Water from Clear Lake flows by gravity to the filter plant through a 36" and a 16" line to the filter plant to be treated.

In addition to the reservoirs mentioned previously, the Borough's water collection (supply) system also includes the Kitzmiller Diversion Dam. This dam creates a pool holding approximately 15,000,000 gallons in the streambed and covers approximately 13 acres. The watershed area covers approximately 17.02 square miles. Raw water from Kitzmiller is diverted via a 36" reinforced concrete line to Clear Lake. The Borough is required to discharge 1,600,000 gallons per day as a conservation release from this facility.

The Borough's three wells are located near the Vulcan Materials Company, near Oxford Avenue and Black Lane, and at the Borough's Filtration Plant. The Vulcan Materials Company and Oxford Avenue and Black Lane wells were both constructed in 2001 and are capable of producing 4 million gallons of water per day. A 2.88 million gallon per day pumping permit for the Oxford Avenue well is currently pending before the Department of Environmental Protection. Both of these wells are discharged into Slagle's Run where water flows into the

Borough's intake. The well at the filtration plant is currently operated under a temporary permit from DEP and an application for a permanent permit is pending before DEP. This well produces 180,000 gallons per day and water from the well is mixed with other raw water flowing into the filter plant where it is completely treated.

The filter plant itself is capable of filtering 11,500,000 gallons of water per day. In addition to the filter plant proper, the other facilities associated with the filtration plant include sediment basins and filtration basins, sludge lagoons, a clear water basin, chemical treatment facilities which add liquid alum and soda ash and adjust PH, the filter plant laboratory which processes water samples taken throughout the system, and the pumping station.

There are four finished water storage facilities including two storage towers or tanks and two reservoirs. The McSherrystown Tower is located in McSherrystown Borough and holds 250,000 gallons of finished water. In addition to its storage function, the McSherrystown tank assists in maintaining adequate pressures throughout McSherrystown Borough and portions of Conewago Township and the Borough. The Terrace tank is located on Terrace Avenue and holds 500,000 gallons of treated water. In addition to the storage function, the tank helps maintain adequate pressures in portions of Penn Township and in the northern portion of the Borough. The two finished water storage reservoirs are located on Parr's Hill on Black Rock Road in Penn Township. One of the reservoirs has a capacity of 5,295,000 gallons while the second reservoir stores 7,725,000 gallons of finished water. A booster station has been added to increase pressures to the southeast section of the water distribution system. Both of the reservoirs are covered by floating covers in order to maintain the quality of the finished water and to meet Safe Drinking Water Act requirements.

In addition to the previously mentioned pumping or booster pumping stations, the Kidd Lane Pump Station which is located in Penn Township. That pumping station serves the purpose of lifting water from Hickory Lane at Kidd Lane north to properties on Young's Road northeast and northwest of Kidd Lane, all within Penn Township.

The transmission mains for the system total 88,992 feet of various size mains which serve both inside and outside the Borough customers. The distribution mains total 875,540 feet of various size mains. Inside the Borough, the distribution mains vary in size from ¾" to 20" and a total of 221,981 feet of such mains are located inside the Borough for service to inside the Borough customers. The distribution mains utilized to serve outside the Borough customers total 653,559 feet in length and are in sizes of 4" to 20".

The vast majority of the water system facilities are utilized to provide water service to both inside and outside the Borough customers. There are some facilities, however, which are devoted solely to the use of outside the Borough customers. These facilities and properties include the Oxford Road well and site; the Jacobs farm production site; a one acre site containing a well site at Slagle's Run which was obtained by the Borough through eminent domain for meeting the continuing growth in water demand exhibited by outside the Borough customers; the Slagle's Run Pump Station, Conewago Township, which was constructed solely to meet continuing growth in outside the Borough water demand; the Kidd Lane Pump Station which, as I earlier described, is utilized solely to lift water from Hickory Lane at Kidd Lane northward to properties on Young's Road, all such properties being outside the Borough; and, the booster pump station at Parr's Hill serves only Penn Township and West Manheim Township customers whose properties are at elevations which could not otherwise be served from the Borough's system. Additionally, the water distribution mains located outside the Borough serve only such

6.76% on the original cost rate base. As originally proposed by the Borough, the total bill for a typical residential customer using 11,000 gallons per quarter would have increased from \$40.72 to \$46.13 per quarter, an annual increase of approximately \$21.64. Under the Settlement, the typical residential customer's bill increases by approximately \$2.31 (5.67%) to \$43.03 per quarter or by approximately \$9.24 annually. This is the first increase in rates since 1994.

The Borough has also agreed as part of the Settlement, should the same be approved by the presiding Administrative Law Judge and the Commission, not to file for a base rate increase under Section 1308(d) of the Public Utility Code prior to May 1, 2004. The inclusion of this "stay-out" as part of the Settlement provides an additional measure of rate stability to the Borough's customers.


The additional revenues generated by the Settlement Rates when taken in conjunction with rate increases to be adopted by the Borough for customers inside the Borough should permit the Borough to continue to operate the water system in a safe and adequate manner and enhance the financial integrity of the water system.

Approval of the Settlement will promote the public interest as it will provide a relatively small municipal water utility with additional revenue which it requires in order to continue to provide safe and adequate service, results in the discontinuance of cost-prohibitive litigation and the attendant administrative burden thereof all to the benefit of the ratepayers and utilizes the Commission's ADR process to good advantage.

Accordingly, the Borough offers this statement in support of the Joint Petition for Settlement and requests that the presiding Administrative Law Judge and the Commission expeditiously approve the Settlement set forth in the foregoing Joint Petition and that the Commission grant the Borough permission to file the Tariff Supplement appended to the Joint

Petition to become effective on one day's notice after entry of the Commission's Order approving the Settlement.

Respectfully submitted,

By: 
Jan P. Paden
Rhoads & Sinon LLP
One South Market Square
P.O. Box 1146
Harrisburg, PA 17108-1146
(717) 231-6634

Attorneys for The Borough of Hanover

APPENDIX “D”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility
Commission, et al.

v.

The Borough of Hanover/Hanover
Municipal Water Works

Docket Nos.
R-00027522
R-00027522C0001 et seq.

**OFFICE OF TRIAL STAFF
STATEMENT IN SUPPORT OF
SETTLEMENT PETITION**

TO ADMINISTRATIVE LAW JUDGE LOUIS G. COCHERES:

The Office of Trial Staff ("OTS") of the Pennsylvania Public Utility Commission, by and through its Prosecutor, Richard A. Kanaskie, hereby respectfully submit that the terms and conditions of the foregoing Settlement Petition ("Settlement") are in the public interest and represent a fair, just, reasonable and equitable balance of the interest of The Borough of Hanover ("Borough" or "Company") and its customers. The parties to this Settlement conducted a number of discussions and as result, the Borough, OTS and all other active parties have agreed upon the terms embodied in the foregoing Settlement Petition.

1. OTS first notes that during the early course of this proceeding, Borough personnel conducted a tour of the water company facilities for representatives of OTS. This tour, held on November 25, 2002, provided the Technical Staff members with first-hand information regarding the condition of the facilities, ongoing Company projects and current Company operations.

2. OTS supports the foregoing Settlement, consisting of the following conditions:

- OTS and the other parties to the Settlement have agreed that the Company will be permitted to increase base rates to its jurisdictional customers by \$214,450.
- Appendix "B" to the Settlement shows the agreed-upon proof of revenues based on the revenue increase determined in this proceeding.
- The Settlement results in an increase to annual base revenues of approximately 41.1% of the Company's original request.
- The Settlement serves to mitigate the impact on an average residential customer using 11,000 gallons per quarter by limiting the increase to 43.03 per quarter or 5.7% as opposed to \$46.13 per quarter or 13.3% as requested by the Company.
- In consideration of the instant settlement, the Company has agreed that it cannot file a tariff or tariff supplement proposing a general increase in base rates, as provided for in 66 Pa. C.S. §1308(d), prior to May 1, 2004.

3. Based upon OTS's analysis of the filing, acceptance of this proposed settlement is in the public interest because resolution of this case by settlement rather than litigation will avoid the substantial time and expense involved in continuing to formally pursue all issues in this proceeding.

4. OTS further submits that acceptance of the foregoing settlement will negate the need for any direct and cross-examination of witnesses, the preparation of main briefs, reply briefs, exceptions and reply exceptions, and the filing of possible appeals. The avoidance of further rate case expense by settlement of this base rate proceeding serves the interests of the Company, the active formal complainants and the other Company customers.

5. The Settlement provides the Company with adequate revenue to continue the provision of safe and adequate service. The resulting rates are just and reasonable and serve to balance the interests of all parties involved.

6. The Settlement will provide consumers with a level of rate stability as the Company is prohibited from filing for another general rate increase until May of 2004.

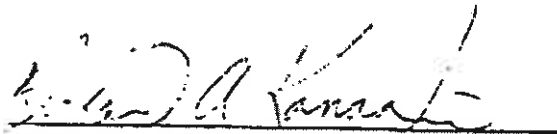
7. The Settlement is conditioned upon the Commission's approval of all terms and conditions contained therein and should the Commission fail to grant such approval or otherwise modify the terms and conditions of the settlement, it may be withdrawn by the Company or OTS or as provided therein.

8. OTS's agreement to settle this case is made without any admission or prejudice to any position that OTS might adopt during subsequent litigation in the event the Settlement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

9. If the ALJ recommends that the Commission adopt the Settlement as proposed, OTS has agreed to waive the filing of Exceptions. However, OTS has not waived its rights to file Exceptions with respect to any modifications to the terms and conditions of the settlement, or any additional matters, that may be proposed by the ALJ in his Recommended Decision. OTS has also reserved the right to file Reply Exceptions to any Exceptions that may be filed by the Company or any formal complainant.

WHEREFORE, the Commission's Office of Trial Staff represents that it supports the Settlement as being in the public interest and respectfully requests that Administrative Law Judge Louis G. Cocheres recommend, and the Commission subsequently approve, the foregoing Settlement Petition, including all terms and conditions contained therein.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard A. Kanaskie", is written over a horizontal line.

Richard A. Kanaskie
Prosecutor
Office of Trial Staff

Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 787-1976

Dated: February 19, 2003

APPENDIX "E"

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,
et al.

v.

Borough of Hanover/Hanover Municipal
Water Works

:
:
:
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Docket No. R-00027522, et al.

STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF JOINT PETITION FOR SETTLEMENT

The Office of Consumer Advocate of the Commonwealth of Pennsylvania (OCA), one of the signatory parties to the Joint Petition for Settlement (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

I. INTRODUCTION

On August 30, 2002, the Borough of Hanover/Hanover Municipal Water Works (Hanover) filed Supplement No. 15 to Tariff Water - Pa.P.U.C. No. 3, to be effective October 29, 2002, requesting an increase in revenues of approximately 20.2%. If approved in full, Hanover's proposal would have increased its revenues by \$521,339.

The OCA filed a formal complaint on October 4, 2002. On October 24, 2002, the Pennsylvania Public Utility Commission (PUC or Commission) entered an order suspending the

general rate increase filing until May 28, 2003, pursuant to 66 Pa. C.S. § 1308(d), and assigned the proceeding to the Office of Administrative Law Judge.

Complaints were filed by West Manheim and McSherrystown Borough.¹ The Office of Trial Staff filed a Notice of Appearance. Hanover agreed to participate in the PUC's mediation process and extended the suspension date to July 28, 2003.

A prehearing conference, with Administrative Law Judge (ALJ) Louis G. Cocheres presiding, was held on December 19, 2002, in which Hanover, OCA, OTS, and the Boroughs of McSherrystown and West Manheim participated.

During the course of mediation, the parties undertook numerous formal and informal discussions which resulted in the Joint Petition for Settlement. The OCA submits that the proposed Settlement is in the public interest for the reasons discussed below.

II. REVENUES

The proposed Settlement provides for an overall annual revenue increase not in excess of \$214,450, or approximately 8.3%. Based on the OCA's analysis of Hanover's filing, the proposed increase under the Settlement represents an amount which, in the OCA's view, would be within the range of the likely outcomes in the event of full litigation of the case.

Under the Company's rate request, the annual bill for a residential customer using 11,000 gallons of water per quarter would have increased from \$40.72 per quarter to \$46.13. However, under the proposed Settlement, a residential customer using 11,000 gallons of water per quarter would pay \$43.03 per quarter.

¹McSherrystown Borough subsequently withdrew its complaint.

III. STAY-OUT PROVISION


Under the proposed Settlement, Hanover cannot file for another general rate increase before May 1, 2004. The proposed stay-out provision should prevent another rate increase before February, 2005, assuming the Company files as soon as the stay-out expires and assuming the next case is fully litigated. Thus, Hanover's ratepayers will be assured of some level of rate stability.

IV. CONCLUSION

The terms and conditions of the proposed settlement of this rate proceeding represent a fair and reasonable resolution of the issues and claims arising in this proceeding. If approved, the proposed Settlement would provide for an increase of \$214,450 to annual revenues, reduced from the \$521,339 annual increase proposed in the Company's filing. In addition, the ratepayers will benefit from the stay-out. Finally, the Commission and all parties would benefit by the reduction in rate case expense and the conservation of resources made possible by adoption of the Settlement in lieu of full litigation.

WHEREFORE, for the foregoing reasons, the Office of Consumer Advocate submits that the proposed Settlement is in the best interests of the customers of Borough of Hanover/Hanover Municipal Water Works.

Respectfully submitted,


Christine Maloni Hoover
Senior Assistant Consumer Advocate

Counsel for:
Irwin A. Popowsky
Consumer Advocate

Office of Consumer Advocate
555 Walnut Street, 5th Floor, Forum Place
Harrisburg, PA 17101-1923
(717) 783-5048

Dated: February 13, 2003
00072821.WPD

METTE, EVANS & WOODSIDE

A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW

RECEIVED

2003 MAR -6 AM 9:36

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CHARLES B. ZWALLY
PETER J. RESSLER
LLOYD R. PERSUN
CRAIG A. STONE
JAMES A. ULSH
DANIEL L. SULLIVAN
STEVEN D. SNYDER
JEFFREY A. ERNICO

KATHRYN L. SIMPSON
P. DANIEL ALTLAND
ANDREW H. DOWLING
MICHAEL D. REED
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RONALD L. FINCK
SCOTT C. SEUFFERT

OF COUNSEL
JAMES W. EVANS

*MARYLAND BAR

March 5, 2003

Honorable Louis G. Cocheres
Administrative Law Judge
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: **Pennsylvania Public Utility Commission v. Borough of Hanover**
R-00027522
R-00027522C0001-C003

6465.4

Dear Judge Cocheres:

I write on behalf of West Manheim Township, Complainant in the above identified rate case.

On February 20th, a Joint Petition for Settlement ("Petition") was filed with Herbert R. Nurick, Mediator. The Petition was signed by the Office of Trial Staff, the Office of Consumer Advocate, and the Borough of Hanover. West Manheim Township did not sign the Petition when the document was filed with Mr. Nurick.

Please be advised that West Manheim Township has approved the Petition. The Township's approval was rendered last week when a quorum of the Board of Supervisors met to review and discuss the Petition. In lieu of the Township's execution of the Petition, please accept this letter as the Township's representation that it is in agreement with the Petition and it wishes to settle the above captioned rate case on the terms and conditions set forth in such Petition.

Based on the terms of your e-mail communication of February 28, I understand that Mr. Paden will provide your office with appendices "A" "B" to the Petition. I further understand that you anticipate commencing work on the Recommended Decision no sooner than mid-March. As you prepare to begin work on the Recommended

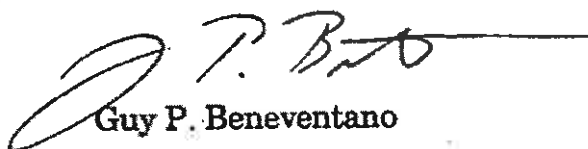
March 5, 2003

Page 2

Decision, please contact me if you are in need of information or further documentation from West Manheim Township.

Thank you for your attention to this letter.

Very truly yours,



Guy P. Beneventano

GPB/sec

cc: Herbert R. Nurick, Mediator
Jan P. Paden, Esquire
Christine Maloni Hoover, Esquire
Richard A. Kanaskie, Esquire
Dean Hempfing, Township Manager



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

CH, MK, JL CW
O: File
IN REPLY PLEASE
REFER TO OUR FILE
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June 13, 2003

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R-00027522 et al

TO ALL PARTIES

OFFICE OF
CONSUMER ADVOCATE

Pennsylvania Public Utility Commission (R-00027522)
Irwin A. Popowsky, Consumer Advocate (R-00027522C0001)
West Manheim Township (R-00027522C0002)
McSherrystown Borough (R-00027522C0003)

V

Borough of Hanover
Hanover Municipal Water Works

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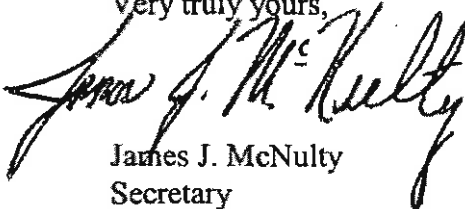
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To Whom It May Concern:

This is to advise you that the Commission in Public Meeting on June 12, 2003 has adopted an Order in the above entitled proceeding.

An Order has been enclosed for your records.

Very truly yours,


James J. McNulty
Secretary

tab
encls
cert. mail

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

Public Meeting held June 12, 2003

Commissioners Present:

Terrance J. Fitzpatrick, Chairman
Robert K. Bloom, Vice Chairman
Aaron Wilson, Jr.
Glen R. Thomas
Kim Pizzingrilli

Pennsylvania Public Utility Commission

R-00027522

Irwin A. Popowsky, Consumer Advocate

R-00027522C0001

West Manheim Township

R-00027522C0002

McSherrystown Borough

R-00027522C0003

v.

Borough of Hanover
Hanover Municipal Water Works

ORDER

BY THE COMMISSION:

We adopt as our action the Recommended Decision of Administrative Law Judge Louis G. Cocheres dated May 6, 2003; THEREFORE,

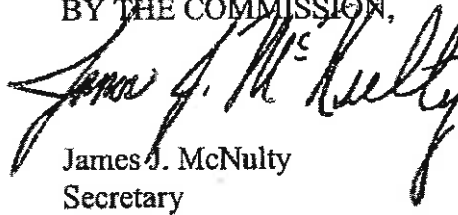
IT IS ORDERED:

1. That the Joint Petition For Settlement, Appendix "A" and Appendix "B" filed by the Borough of Hanover/Hanover Municipal Water Works, Office of Trial Staff, Office of Consumer Advocate and West Manheim Township are hereby approved.

2. That, upon entry of a Commission Order approving the Joint Petition For Settlement, Appendix "A" and Appendix "B", the Borough of Hanover shall file Supplement No. 18 to Water-Pa. P.U.C. No. 3 to become effective on one day's notice for service rendered on and after the date after the entry date of the Commission Order.

3. That, upon the entry of the Commission Order approving the Joint Petition For Settlement, Appendix "A" and Appendix "B", the record at Docket Nos. R-00027522, R-00027522C0001 and R-00027522C0002 shall be marked closed.

BY THE COMMISSION,

A handwritten signature in black ink, appearing to read "James J. McNulty", is written over the printed name and title.

James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: June 12, 2003

ORDER ENTERED: JUN 13 2003

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission, et al. : Docket Nos. R-00027522
v. : R-00027522C0001 - C0003
The Borough of Hanover/Hanover Municipal :
Water Works :

JOINT PETITION FOR SETTLEMENT

AND NOW, this 20th day of February, 2003, come the parties to the above-captioned proceeding, the Office of Trial Staff ("OTS") by and through its Prosecutor, Richard A. Kanaskie; The Office of Consumer Advocate ("OCA"), by and through its Senior Assistant Consumer Advocate, Christine Maloni Hoover; The Township of West Manheim, by and through its attorney, Charles B. Zwally; and The Borough of Hanover, by and through its attorney, Jan P. Paden, and file the following Joint Petition for Settlement.

INTRODUCTION

1. On August 30, 2002, The Borough of Hanover/Hanover Municipal Water Works ("Hanover" or "Borough") filed Supplement No. 15 to Tariff Water-Pa. P.U.C. No. 3, to become effective October 29, 2002, containing proposed changes in rates, rules and regulations calculated to produce \$521,339 in additional revenues, based upon the experienced level of operations in the future test year ending December 31, 2002. The Borough's proposal represented an overall increase in annual revenues of 20.2%.

2. By Order entered October 24, 2002, at Docket No. R-00027522, the Commission instituted an investigation to determine the lawfulness, justness, and reasonableness of the proposed rates, rules and regulations. The Order directed the OALJ to assign the matter to an ALJ for an expedited Alternative Dispute Resolution, if possible, or to schedule such hearings as are necessary for the ALJ to render a Recommended Decision.

3. Three complaints were filed against the proposed rate increase. On October 4, 2002, the Office of Consumer Advocate ("OCA") filed a Formal Complaint against the rate request, docketed at R-0027522C0001. On October 29, 2002, Complaints were filed by West Manheim and McSherrystown Borough, docketed at R-00027522C0002 and R-00027522C0003, respectively. The Office of Trial Staff filed a Notice of Appearance. Subsequently, the McSherrystown complaint was withdrawn.

4. Pursuant to 66 Pa. C.S. § 1308(d), the filing was suspended by operation of law. By virtue of the Borough's filing a tariff supplement in compliance with the regulations concerning mediation, the suspension date was extended to July 28, 2003.

5. The Borough requested that the proceeding be assigned to mediation for potential resolution through that ADR process. None of the parties objected to the utilization of the mediation process and thus the case was assigned to Administrative Law Judge Louis G. Cocheres, as presiding Administrative Law Judge, and to Herbert R. Nurick, Mediation Coordinator, as mediator.

6. A Prehearing Conference was held on December 19, 2002, with ALJ Louis G. Cocheres presiding. Immediately following the aforementioned Prehearing Conference, an initial mediation conference was convened. All parties were represented at both the Prehearing

Conference and the initial mediation conference. Pursuant to a mediation notice, further mediation sessions were held before Herbert R. Nurick on January 9 and January 22, 2003.

7. Extensive discovery proceedings were undertaken by the parties during the pendency of the proceeding.

8. While the mediation sessions did not immediately result in an amicable resolution of the various parties' positions, such sessions laid the foundation for further discussions between the parties. These discussions ultimately resulted in an agreement between the parties as to the terms of a settlement of the proceedings as more specifically set forth herein.

DETAILS OF PROPOSED SETTLEMENT

9. The substance of the settlement is that the Borough, OTS, OCA and the remaining Complainant, West Manheim Township, agree that the Borough will file a compliance tariff to be effective on one day's notice, upon entry of a Commission Order approving the recommendation by ALJ Cocheres to adopt this settlement. The compliance tariff shall be designed to produce a \$214,450 increase in annual jurisdictional base revenue, which represents approximately 41.1% of the Borough's original request.

10. The net impact of the settlement upon a typical metered residential customer using 11,000 gallons of water per quarter would be an increase in such customer's bill from \$40.72 to \$43.03. This is contrasted with the impact to such customer under the rates proposed in the Borough's filing which would have increased the typical residential customers to \$46.13 per quarter.

11. Based on the Borough's 2002 projected volumetric sales contained in the Borough's rate filing, the Borough will be afforded the opportunity to recover approximately \$2,797,445 in total annual revenues under this settlement.

12. The Borough agrees that, if ALJ Cocheres recommends approval of this Settlement and the Commission approves this Settlement as proposed, it will not file a base rate increase request under 66 Pa. C.S. § 1308(d) prior to May 1, 2004.

13. This Settlement is in the public interest because it (i) provides a relatively small municipal water utility with immediate additional revenue which it requires in order to assist in providing safe and adequate service; (ii) provides for the maintenance of safe and adequate service; (iii) discontinues cost-prohibitive litigation and the attendant administrative burden thereof; and (iv) utilizes the Commission's ADR process to good advantage.

14. This Settlement is proposed by the Joint Petitioners to settle the instant case and is made without any admission against or prejudice to any positions which any Joint Petitioner might adopt during subsequent litigation, including further litigation in this case if this Settlement is rejected by the Commission or any of the Joint Petitioners withdraws from such Settlement as provided below. Furthermore, this Settlement shall not be cited as precedent and shall have no precedential value. This Settlement is conditioned upon the Commission's approval of all terms and conditions contained herein. If the Commission should fail to grant such approval or should modify the terms and conditions herein, this Settlement may be withdrawn upon written notice to the Commission and all parties within five (5) business days by any withdrawing Joint Petitioner and, in such event, shall be of no force and effect. In the event that the Commission does not approve the Settlement or any Joint Petitioner elects to withdraw as noted above and the proceeding continues to hearing, the Joint Petitioners reserve their

respective rights to submit direct testimony as well as rebuttal and surrebuttal testimony and to conduct full cross-examination, briefing and argument in this rate proceeding.

15. If ALJ Cocheres in his Recommended Decision recommends that the Commission adopt this Settlement as herein proposed, Joint Petitioners agree to waive the filing of Exceptions. However, Joint Petitioners do not waive their rights to file Exceptions with respect to any modifications to the terms and conditions of this Settlement, or any additional matters, proposed by ALJ Cocheres in his Recommended Decision. The Joint Petitioners reserve the right to file Reply Exceptions to any Exceptions which may be filed.

16. A copy of the Borough's proposed compliance tariff filing implementing the settlement rates is attached to this Joint Petition as Appendix "A" and incorporated herein by reference.

17. A proof of revenue calculation for revenues generated under the settlement rates is attached hereto as Appendix "B" and incorporated herein by reference.

18. In support of this Joint Petition for Settlement supporting statements of the Borough, the Office of Trial Staff, and the Office of Consumer Advocate are attached hereto as Appendices "C" through "E", respectively.

WHEREFORE, Joint Petitioners respectively request that:

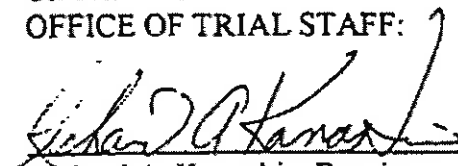
(a) Administrative Law Judge Cocheres and the Commission expeditiously approve the settlement embodied in this Joint Petition for Settlement, including all terms and conditions thereof; and

(b) The Commission grant the Borough permission to file the Tariff Supplement annexed hereto to become effective in accordance with its terms on one day's notice upon entry of a Commission Order, for service rendered on and

after the effective date established by the Commission's approval of this settlement and Administrative Law Judge Cocheres' Recommended Decision.

Respectfully submitted,


On behalf of
OFFICE OF TRIAL STAFF:


Richard A. Kanaskie, Esquire
Prosecutor

On behalf of
WEST MANHEIM TOWNSHIP:

Charles B. Zwally, Esquire

On behalf of
OFFICE OF CONSUMER ADVOCATE:


Christine Maloni Hoover, Esquire
Senior Assistant Consumer Advocate

On behalf of
THE BOROUGH OF HANOVER:


Jan P. Paden, Esquire

APPENDIX "A"

BOROUGH OF HANOVER
HANOVER MUNICIPAL WATER WORKS

RATES, RULES, AND REGULATIONS GOVERNING
THE DISTRIBUTION OF WATER
IN
THE TOWNSHIP OF PENN IN YORK COUNTY
AND
THE TOWNSHIP OF CONEWAGO IN ADAMS COUNTY
AND
THE BOROUGH OF McSHERRYSTOWN IN ADAMS COUNTY
PENNSYLVANIA

Issued: _____

Effective: _____

By: Bruce Rebert, Borough Manager
Borough of Hanover
Hanover Municipal Water Works
44 Frederick Street
Hanover, PA 17331

THIS SUPPLEMENT MAKES INCREASES AND CHANGES IN EXISTING RATES

(see Page No. 2)

Supplement No. 18

to

Water-Pa. P.U.C. No. 3

Tenth Revised Page No. 2

HANOVER MUNICIPAL WATER WORKS

Canceling Ninth Revised Page No. 2

List of Changes Made by this Supplement

Increases:

Supplement No. 18 increases rates to produce additional revenue of \$214,450.

Issued: _____

Effective: _____

HANOVER MUNICIPAL WATER WORKS

Table of Contents

Title Page	1	Supplement No. 18
List of Changes Made by this Supplement	2	Tenth Revised
Table of Contents	3	Ninth Revised
Schedule of Meter Rates	4	Eighth Revised
(intentionally Left Blank)	5	Fourth Revised
Schedule of Fire Service Rates	6	Eighth Revised
(intentionally Left Blank)	7	Fifth Revised

Rules and Regulations:

1. Definitions	8-9 Original
2. Filing, Posting and Effect	9 Original
3. Application for Service	9-10 Original
4. Connections to Water Supply System	10 Original
5. Regulation of Supply	11 Original
6. Interruption, Discontinuance or Termination of Service	11 Original
7. Bills and Penalties	12-13 First Revised
8. Metered Service	14 First Revised
9. Meter Installations	15 First Revised
10. Fire Service	15 First Revised
11. Extension of Mains	15 First Revised
11. Extension of Mains	16-18 Original
11. Extension of Mains	19 First Revised
13.-16. Water Conservation Contingency Plan	20-22 Original

Issued: _____

Effective: _____

Schedule of Meter Rates

Application:

This schedule is applicable to all metered customers located outside the corporate limits of the Borough of Hanover.

Base Charges:

<u>Size of Meter</u>	<u>Per Quarter</u>
5/8"	\$ 26.53
3/4"	36.72
1"	57.09
1-1/2"	108.01
2"	169.12
3"	362.63
4"	617.25
6"	1,279.26
8"	1,839.43

<u>Consumption Charge</u>	<u>Rate per 1,000 Gallons</u>	
All consumption	\$1.50	(I)

NOTE: For services that are temporarily disconnected, the base charge will apply for the period of disconnection.

(I) Indicates Increase

Issued: _____

Effective: _____

Supplement No.18
to
Water-Pa. P.U.C. No. 3
Fourth Revised Page No. 5
HANOVER MUNICIPAL WATER WORKS Canceling Third Revised Page No. 5

(Intentionally left blank)

Issued: _____

Effective: _____

HANOVER MUNICIPAL WATER WORKS

Schedule of Fire Service Rates

Private and Public Fire Service

<u>Standard Fire Hydrants:</u>	<u>Per Annum</u>	<u>Per Quarter</u>
For a standard fire hydrant	\$ 277.57	\$ 69.39
<u>Fire Sprinkler Service and Fire Hose Connections:</u>		
For a four (4) inch connection to the street main:	95.55	23.89
For a six (6) inch connection to the street main:	277.57	69.39
For a eight (8) inch connection to the street main:	591.51	147.88
For a ten (10) inch connection to the street main:	1,063.74	265.94
For a twelve (12) inch connection to the street main:	1,718.23	429.56

Issued: _____

Effective: _____

APPENDIX "B"

**Borough of Hanover
Hanover Municipal Water Works - Outside Borough Limits**

Operating Revenues Under Proposed Settlement Rates

Residential:			
Customer Charges:	<u>Number</u> <u>of Bills</u>	<u>Rate</u>	<u>Revenue</u>
3" Monthly	12	\$120.88	\$1,450.56
5/8" Quarterly	33,340	\$28.53	884,510.20
3/4" Quarterly	72	\$36.72	2,643.84
1" Quarterly	100	\$57.09	5,709.00
1 1/2" Quarterly	24	\$108.01	2,592.24
2" Quarterly	40	\$169.12	6,764.80
3" Quarterly	8	\$362.63	2,901.04
4" Quarterly	4	\$617.25	2,469.00
Total Customer Charges			\$909,040.68
Consumption Charges:	<u>Thousand</u> <u>Gallons</u>	<u>Rate</u>	
All Consumption	435,540	\$1.500	\$653,310.00
Total Residential Revenue			\$1,562,350.68
Commercial:			
Customer Charges:	<u>Number</u> <u>of Bills</u>	<u>Rate</u>	
5/8" Monthly	24	\$8.84	\$212.16
1" Monthly	12	\$19.03	228.36
1 1/2" Monthly	12	\$35.00	432.00
2" Monthly	24	\$56.37	1,352.88
4" Monthly	24	\$205.75	4,938.00
5/8" Quarterly	872	\$26.53	23,134.16
3/4" Quarterly	92	\$36.72	3,378.24
1" Quarterly	232	\$57.09	13,244.88
1 1/2" Quarterly	72	\$108.01	7,776.72
2" Quarterly	112	\$169.12	18,941.44
3" Quarterly	8	\$362.63	2,901.04
4" Quarterly	4	\$617.25	2,469.00
6" Quarterly	4	\$1,279.26	5,117.04
Total Customer Charges			\$84,125.92
Consumption Charges:	<u>Thousand</u> <u>Gallons</u>	<u>Rate</u>	
All Consumption	83,770	\$1.500	\$125,655.00
Total Commercial Revenue			\$209,780.92
Industrial:			
Customer Charges:	<u>Number</u> <u>of Bills</u>	<u>Rate</u>	
5/8" Monthly	12	\$8.84	\$106.08
3/4" Monthly	12	\$12.24	146.88
1" Monthly	12	\$19.03	228.36
1 1/2" Monthly	60	\$36.00	2,160.00
2" Monthly	120	\$56.37	6,764.40
3" Monthly	48	\$120.88	5,802.24
4" Monthly	84	\$205.75	17,283.00
6" Monthly	24	\$426.42	10,234.08
5/8" Quarterly	84	\$26.53	2,228.52
3/4" Quarterly	8	\$36.72	293.76
1" Quarterly	32	\$57.09	1,826.88
1 1/2" Quarterly	32	\$108.01	3,456.32
2" Quarterly	24	\$169.12	4,058.88
3" Quarterly	16	\$362.63	5,802.08
4" Quarterly	4	\$617.25	2,469.00
Total Customer Charges			\$62,860.48
Consumption Charges:	<u>Thousand</u> <u>Gallons</u>	<u>Rate</u>	
All Consumption	414,507	\$1.500	\$621,760.50
Total Industrial Revenue			\$684,620.98

**Borough of Hanover
Hanover Municipal Water Works - Outside Borough Limits**

Operating Revenues Under Proposed Settlement Rates

Public:	Number		
Customer Charges:	of Bills	Rate	Revenue
2" Monthly	12	\$56.37	\$676.44
3" Monthly	12	\$120.88	1,450.56
5/8" Quarterly	24	\$26.53	636.72
3/4" Quarterly	4	\$36.72	146.88
1" Quarterly	20	\$57.09	1,141.80
1 1/2" Quarterly	16	\$108.01	1,728.16
2" Quarterly	24	\$169.12	4,058.88
3" Quarterly	8	\$362.63	2,901.04
4" Quarterly	4	\$617.25	2,469.00
Total Customer Charges			\$15,209.48
Consumption Charges:	Thousand	Rate	
All Consumption	<u>Gallons</u> 13,222	\$1.500	\$19,833.00
Total Public Revenue			\$35,042.48
Resale:	Number		
Customer Charges:	of Bills	Rate	
4" Monthly	24	\$205.75	\$4,938.00
Total Customer Charges			\$4,938.00
Consumption Charges:	Thousand	Rate	
All Consumption at or under the Contract Amount	<u>Gallons</u> 71,618	\$1.500	\$107,427.00
All Consumption over the Contract Amount	2,071	\$1.500	3,106.50
Total Resale Revenue			\$115,471.50
Fire Protection:	No. of	Annual	
	Units	Rate	
Public Fire Hydrants	352	\$277.57	\$97,704.64
Private Fire Hydrants	137	\$277.56	38,025.72
4" Fire Connection	9	\$95.56	860.04
6" Fire Connection	24	\$277.56	6,661.44
8" Fire Connection	22	\$591.56	13,014.32
10" Fire Connection	14	\$1,063.76	14,892.64
Total Fire Protection Revenue			\$171,158.80
Customer Penalties			\$4,455.00
Miscellaneous			14,466.00
Total Operating Revenue at Settlement Rates			\$2,797,348.36
vs. Operating Revenue at Present Rates (12/31/02)			(\$2,582,995.00)
Settlement Increase			\$214,351.35
			=====

APPENDIX "C"

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	Docket Nos. R-00027522
<u>et al.</u>	:	
	:	R-00027522C001-C003
v.	:	
The Borough of Hanover/Hanover	:	
Municipal Water Works	:	

STATEMENT ON BEHALF OF
THE BOROUGH OF HANOVER
IN SUPPORT OF JOINT PETITION FOR SETTLEMENT

The Borough of Hanover (the "Borough" or "Hanover") joins in support of the Joint Petition for Settlement with the Office of Trial Staff ("OTS") of the Public Utility Commission, the Office of Consumer Advocate ("OCA"), and the Township of West Manheim.

This settlement was achieved after thorough scrutiny of the Borough's filing, including formal and informal discovery by the Bureau of Fixed Utility Services, the Office of Trial Staff, the Office of Consumer Advocate and the Township of West Manheim, and, after lengthy Alternative Dispute Resolution negotiations presided over by Mediator Herbert R. Nurick, Mediation Coordinator.

The Borough respectfully requests that presiding Administrative Law Judge Louis G. Cocheres recommend, without modification, approval of the settlement to the Commission. The basis for this request is stated in the Joint Petition for Settlement and is further supported by the following factors:

I. BACKGROUND

Hanover is a municipal corporation situate in York County, Pennsylvania organized and existing under the provisions of the Borough Code. The Borough is bordered on the north, east and south by Penn Township, York County, and on the west by Conewago Township, Adams County.

Hanover's water system provides retail water service to the public inside the Borough limits, which is non-jurisdictional service, and outside the Borough, which service is subject to the jurisdiction of the Commission. As of the end of 2001, the water system served 6,494 customers inside the Borough and 8,769 customers located outside of the Borough. Currently, the Borough provides retail service to approximately 6,538 customers located inside the Borough and to approximately 8,940 customers who are located outside of the Borough's limits.

Retail water service to the public outside of the Borough's corporate limits includes service to customers in the Township of Penn, York County, and the Borough of McSherrystown and Conewago Township, Adams County. In addition, the water system provides water to West Manheim Township on a sale for resale basis under and pursuant to an intermunicipal agreement between the Borough and the Township which was negotiated in 1971.

The Borough first began to provide water service to its residents in 1932 when the Borough purchased the existing facilities of a distressed water company. That company, or its predecessors, had provided water service in the Borough since the early 1870's. Subsequently, as growth in areas outside the Borough presented demands for public water service in those areas, the Borough agreed to expand its retail service to other municipalities, including the Townships of Penn and Conewago and the Borough of McSherrystown.

The growth in the demand for water has been generated by the growth in both industry and the number of residential users located outside of the Borough. In 1984, the Borough's water system served 5,630 customers inside the Borough and their total annual consumption amounted to 559,644,000 gallons. In that same year, the Borough provided water service to 4,623 customers located outside the Borough whose total annual consumption amounted to 799,063,000 gallons. In 1991, the total number of in-Borough customers was 6,004 and the total consumption by in-Borough customers was 552,116,000, a decrease of approximately 7,528,000 gallons in annual consumption from the 1984 levels. By comparison, the total number of customers served from the Borough's water system located outside the Borough in 1991 was 6,829 and the water consumption of those outside the Borough customers totaled 972,889,000 gallons.

As previously stated, the current number of in-Borough customers is approximately 6,538 while outside the Borough customers now total approximately 8,940 customers. The current annual volumetric consumption for customers inside the Borough is approximately 550,944,000 gallons. This can be compared to the current outside-the-Borough annual volumetric consumption of approximately 1,021,192,000 gallons.

In summary, while current consumption by in-Borough customers actually decreased by something in excess of 1.5% from the in-Borough consumption levels experienced in 1984, the consumption by customers located outside the Borough increased by approximately 27.8% over the same period. Total consumption by outside the Borough customers was approximately 65% of the total system consumption in 2002. This illustrates that the growth in system demand has been caused by growth in demand from sources outside the Borough. Such growth in demand has precipitated almost all of the capital improvement projects which have been undertaken by

the Borough since 1984 and all of the capital improvements or additions which were capacity related.

The major components of the Hanover water system consist of the water collection system, the filtration plant and associated appurtenances (purification system), pumping stations, wells, transmission and distribution lines or mains, storage facilities and general property. In addition to these major components, of course, are a number of additional items such as fire hydrants, meters and services.

The Borough's water collection system (water supply) consists chiefly of two reservoirs, a collection reservoir, well structure, intake and pumping station at Slagle's run, aqueducts and supply mains, the Jacobs farm production/collection property, the other wells of the Borough and storage facilities.

The two main reservoirs are the Sheppard and Myers Dam and the Lawrence Baker Sheppard Dam. The Sheppard and Myers Dam covers 46½ acres with a watershed area of approximately 5.8 square miles. Its capacity is approximately 190,400,000 gallons and is required to release 542,000 gallons per day for conservation purposes. The Lawrence Baker Sheppard Dam (also known as Long Arm Dam) covers 225 acres and has a watershed area of approximately 5.62 square miles. This dam has a capacity of 1,660,000,000 gallons and is required to release 552,000 gallons per day for conservation purposes. The water supply for this dam originates in Carroll County, Maryland and the dam receives water from two main inlet streams (one being Long Arm Creek and the other being unnamed).

The Slagles Run Intake, Pumping Station and Well was constructed in 1994 and has a watershed area of approximately 10.27 square miles. Drainage from the north and east sides of Penn Township, north side of the Borough and Conewago and Berwick Townships in Adams

County goes into streams to form Slagle's Run. In addition, ground water from Vulcan Materials Company is pumped into the stream and water from the Borough's well located near Oxford Avenue and Black Lane is discharged into the intake structure. The Slagle's Run pumping Station is permitted for pumping of 4,800,000 gallons per day with a one million gallon per day conservation release. The water from Slagle's Run is pumped to Clear Lake via a 20" main and is treated at the Filter Plant.

Clear Lake is a man-made holding lake located at the Borough's filter plant. It covers approximately 13 acres and has a capacity of 66,000,000 gallons. The lake serves as a sedimentation basin and a temporary clean source of water in the event of stream degradation. Water from Clear Lake flows by gravity to the filter plant through a 36" and a 16" line to the filter plant to be treated.

In addition to the reservoirs mentioned previously, the Borough's water collection (supply) system also includes the Kitzmiller Diversion Dam. This dam creates a pool holding approximately 15,000,000 gallons in the streambed and covers approximately 13 acres. The watershed area covers approximately 17.02 square miles. Raw water from Kitzmiller is diverted via a 36" reinforced concrete line to Clear Lake. The Borough is required to discharge 1,600,000 gallons per day as a conservation release from this facility.

The Borough's three wells are located near the Vulcan Materials Company, near Oxford Avenue and Black Lane, and at the Borough's Filtration Plant. The Vulcan Materials Company and Oxford Avenue and Black Lane wells were both constructed in 2001 and are capable of producing 4 million gallons of water per day. A 2.88 million gallon per day pumping permit for the Oxford Avenue well is currently pending before the Department of Environmental Protection. Both of these wells are discharged into Slagle's Run where water flows into the

Borough's intake. The well at the filtration plant is currently operated under a temporary permit from DEP and an application for a permanent permit is pending before DEP. This well produces 180,000 gallons per day and water from the well is mixed with other raw water flowing into the filter plant where it is completely treated.

The filter plant itself is capable of filtering 11,500,000 gallons of water per day. In addition to the filter plant proper, the other facilities associated with the filtration plant include sediment basins and filtration basins, sludge lagoons, a clear water basin, chemical treatment facilities which add liquid alum and soda ash and adjust PH, the filter plant laboratory which processes water samples taken throughout the system, and the pumping station.

There are four finished water storage facilities including two storage towers or tanks and two reservoirs. The McSherrystown Tower is located in McSherrystown Borough and holds 250,000 gallons of finished water. In addition to its storage function, the McSherrystown tank assists in maintaining adequate pressures throughout McSherrystown Borough and portions of Conewago Township and the Borough. The Terrace tank is located on Terrace Avenue and holds 500,000 gallons of treated water. In addition to the storage function, the tank helps maintain adequate pressures in portions of Penn Township and in the northern portion of the Borough. The two finished water storage reservoirs are located on Parr's Hill on Black Rock Road in Penn Township. One of the reservoirs has a capacity of 5,295,000 gallons while the second reservoir stores 7,725,000 gallons of finished water. A booster station has been added to increase pressures to the southeast section of the water distribution system. Both of the reservoirs are covered by floating covers in order to maintain the quality of the finished water and to meet Safe Drinking Water Act requirements.

In addition to the previously mentioned pumping or booster pumping stations, the Kidd Lane Pump Station which is located in Penn Township. That pumping station serves the purpose of lifting water from Hickory Lane at Kidd Lane north to properties on Young's Road northeast and northwest of Kidd Lane, all within Penn Township.

The transmission mains for the system total 88,992 feet of various size mains which serve both inside and outside the Borough customers. The distribution mains total 875,540 feet of various size mains. Inside the Borough, the distribution mains vary in size from $\frac{3}{4}$ " to 20" and a total of 221,981 feet of such mains are located inside the Borough for service to inside the Borough customers. The distribution mains utilized to serve outside the Borough customers total 653,559 feet in length and are in sizes of 4" to 20".

The vast majority of the water system facilities are utilized to provide water service to both inside and outside the Borough customers. There are some facilities, however, which are devoted solely to the use of outside the Borough customers. These facilities and properties include the Oxford Road well and site; the Jacobs farm production site; a one acre site containing a well site at Slagle's Run which was obtained by the Borough through eminent domain for meeting the continuing growth in water demand exhibited by outside the Borough customers; the Slagle's Run Pump Station, Conewago Township, which was constructed solely to meet continuing growth in outside the Borough water demand; the Kidd Lane Pump Station which, as I earlier described, is utilized solely to lift water from Hickory Lane at Kidd Lane northward to properties on Young's Road, all such properties being outside the Borough; and, the booster pump station at Parr's Hill serves only Penn Township and West Manheim Township customers whose properties are at elevations which could not otherwise be served from the Borough's system. Additionally, the water distribution mains located outside the Borough serve only such

outside the Borough customers. As stated earlier, these distribution mains are of varying sizes and total 653,559 feet in length.

Faced with ever increasing costs of operating the water system and a need to eliminate actual cash flow deficits experienced by the Borough in 2001 and 2002, the Borough filed its request for a rate increase on August 30, 2002. The proposed tariff supplement was accompanied by a rate study prepared by AUS Consultants, Inc. The tariff supplement was designed to produce \$521,339 in additional revenues, based upon the experienced level of operations in the future test year ending December 31, 2002 and represented an overall increase in jurisdictional annual revenues of 20.2%.

Three complaints were filed against the proposed rate increase by the Office of Consumer Advocate, West Manheim Township and McSherrystown Borough, respectively. By Order entered October 24, 2002, the Commission instituted an investigation into the Borough's proposed rates, rules and regulations and the filing was suspended by operation of law. The Complaint of McSherrystown Borough was withdrawn.

Subsequently, extensive discovery proceedings were undertaken by the parties and the parties participated in three mediation sessions before Herbert R. Nurick, Mediation Coordinator. While the mediation sessions did not immediately result in an amicable resolution of the various parties' positions, such sessions did serve to lay the foundation for the settlement, the terms of which are embodied in the Joint Petition for Settlement to which this statement in support is appended.

II. TERMS OF SETTLEMENT

As proposed in the Borough's filing, revenues would have increased by approximately 20.2%. At such a level of increase, Hanover would have earned a rate of return of approximately

6.76% on the original cost rate base. As originally proposed by the Borough, the total bill for a typical residential customer using 11,000 gallons per quarter would have increased from \$40.72 to \$46.13 per quarter, an annual increase of approximately \$21.64. Under the Settlement, the typical residential customer's bill increases by approximately \$2.31 (5.67%) to \$43.03 per quarter or by approximately \$9.24 annually. This is the first increase in rates since 1994.

The Borough has also agreed as part of the Settlement, should the same be approved by the presiding Administrative Law Judge and the Commission, not to file for a base rate increase under Section 1308(d) of the Public Utility Code prior to May 1, 2004. The inclusion of this "stay-out" as part of the Settlement provides an additional measure of rate stability to the Borough's customers.


The additional revenues generated by the Settlement Rates when taken in conjunction with rate increases to be adopted by the Borough for customers inside the Borough should permit the Borough to continue to operate the water system in a safe and adequate manner and enhance the financial integrity of the water system.

Approval of the Settlement will promote the public interest as it will provide a relatively small municipal water utility with additional revenue which it requires in order to continue to provide safe and adequate service, results in the discontinuance of cost-prohibitive litigation and the attendant administrative burden thereof all to the benefit of the ratepayers and utilizes the Commission's ADR process to good advantage.

Accordingly, the Borough offers this statement in support of the Joint Petition for Settlement and requests that the presiding Administrative Law Judge and the Commission expeditiously approve the Settlement set forth in the foregoing Joint Petition and that the Commission grant the Borough permission to file the Tariff Supplement appended to the Joint

Petition to become effective on one day's notice after entry of the Commission's Order approving the Settlement.

Respectfully submitted,

By: 
Jan P. Paden
Rhoads & Sinon LLP
One South Market Square
P.O. Box 1146
Harrisburg, PA 17108-1146
(717) 231-6634

Attorneys for The Borough of Hanover

APPENDIX "D"

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility
Commission, et al.

v.

The Borough of Hanover/Hanover
Municipal Water Works

:
:
:
:
:
:

Docket Nos.
R-00027522
R-00027522C0001 et seq.

**OFFICE OF TRIAL STAFF
STATEMENT IN SUPPORT OF
SETTLEMENT PETITION**

TO ADMINISTRATIVE LAW JUDGE LOUIS G. COCHERES:

The Office of Trial Staff ("OTS") of the Pennsylvania Public Utility Commission, by and through its Prosecutor, Richard A. Kanaskie, hereby respectfully submit that the terms and conditions of the foregoing Settlement Petition ("Settlement") are in the public interest and represent a fair, just, reasonable and equitable balance of the interest of The Borough of Hanover ("Borough" or "Company") and its customers. The parties to this Settlement conducted a number of discussions and as result, the Borough, OTS and all other active parties have agreed upon the terms embodied in the foregoing Settlement Petition.

1. OTS first notes that during the early course of this proceeding, Borough personnel conducted a tour of the water company facilities for representatives of OTS. This tour, held on November 25, 2002, provided the Technical Staff members with first-hand information regarding the condition of the facilities, ongoing Company projects and current Company operations.

2. OTS supports the foregoing Settlement, consisting of the following conditions:

- OTS and the other parties to the Settlement have agreed that the Company will be permitted to increase base rates to its jurisdictional customers by \$214,450.
- Appendix "B" to the Settlement shows the agreed-upon proof of revenues based on the revenue increase determined in this proceeding.
- The Settlement results in an increase to annual base revenues of approximately 41.1% of the Company's original request.
- The Settlement serves to mitigate the impact on an average residential customer using 11,000 gallons per quarter by limiting the increase to 43.03 per quarter or 5.7% as opposed to \$46.13 per quarter or 13.3% as requested by the Company.
- In consideration of the instant settlement, the Company has agreed that it cannot file a tariff or tariff supplement proposing a general increase in base rates, as provided for in 66 Pa. C.S. §1308(d), prior to May 1, 2004.

3. Based upon OTS's analysis of the filing, acceptance of this proposed settlement is in the public interest because resolution of this case by settlement rather than litigation will avoid the substantial time and expense involved in continuing to formally pursue all issues in this proceeding.

4. OTS further submits that acceptance of the foregoing settlement will negate the need for any direct and cross-examination of witnesses, the preparation of main briefs, reply briefs, exceptions and reply exceptions, and the filing of possible appeals. The avoidance of further rate case expense by settlement of this base rate proceeding serves the interests of the Company, the active formal complainants and the other Company customers.

5. The Settlement provides the Company with adequate revenue to continue the provision of safe and adequate service. The resulting rates are just and reasonable and serve to balance the interests of all parties involved.

6. The Settlement will provide consumers with a level of rate stability as the Company is prohibited from filing for another general rate increase until May of 2004.

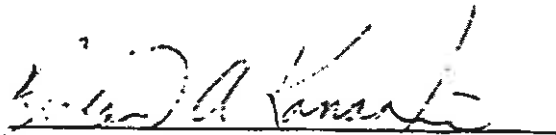
7. The Settlement is conditioned upon the Commission's approval of all terms and conditions contained therein and should the Commission fail to grant such approval or otherwise modify the terms and conditions of the settlement, it may be withdrawn by the Company or OTS or as provided therein.

8. OTS's agreement to settle this case is made without any admission or prejudice to any position that OTS might adopt during subsequent litigation in the event the Settlement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

9. If the ALJ recommends that the Commission adopt the Settlement as proposed, OTS has agreed to waive the filing of Exceptions. However, OTS has not waived its rights to file Exceptions with respect to any modifications to the terms and conditions of the settlement, or any additional matters, that may be proposed by the ALJ in his Recommended Decision. OTS has also reserved the right to file Reply Exceptions to any Exceptions that may be filed by the Company or any formal complainant.

WHEREFORE, the Commission's Office of Trial Staff represents that it supports the Settlement as being in the public interest and respectfully requests that Administrative Law Judge Louis G. Cocheres recommend, and the Commission subsequently approve, the foregoing Settlement Petition, including all terms and conditions contained therein.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Richard A. Kanaskie", is written over a horizontal line.

Richard A. Kanaskie
Prosecutor
Office of Trial Staff

Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 787-1976

Dated: February 19, 2003

APPENDIX "E"

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission, :
et al. :

v. :

Docket No. R-00027522, et al.

Borough of Hanover/Hanover Municipal :
Water Works :

STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF JOINT PETITION FOR SETTLEMENT

The Office of Consumer Advocate of the Commonwealth of Pennsylvania (OCA), one of the signatory parties to the Joint Petition for Settlement (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

I. INTRODUCTION

On August 30, 2002, the Borough of Hanover/Hanover Municipal Water Works (Hanover) filed Supplement No. 15 to Tariff Water - Pa.P.U.C. No. 3, to be effective October 29, 2002, requesting an increase in revenues of approximately 20.2%. If approved in full, Hanover's proposal would have increased its revenues by \$521,339.

The OCA filed a formal complaint on October 4, 2002. On October 24, 2002, the Pennsylvania Public Utility Commission (PUC or Commission) entered an order suspending the

general rate increase filing until May 28, 2003, pursuant to 66 Pa. C.S. § 1308(d), and assigned the proceeding to the Office of Administrative Law Judge.

Complaints were filed by West Manheim and McSherrystown Borough.¹ The Office of Trial Staff filed a Notice of Appearance. Hanover agreed to participate in the PUC's mediation process and extended the suspension date to July 28, 2003.

A prehearing conference, with Administrative Law Judge (ALJ) Louis G. Cocheres presiding, was held on December 19, 2002, in which Hanover, OCA, OTS, and the Boroughs of McSherrystown and West Manheim participated.

During the course of mediation, the parties undertook numerous formal and informal discussions which resulted in the Joint Petition for Settlement. The OCA submits that the proposed Settlement is in the public interest for the reasons discussed below.

II. REVENUES

The proposed Settlement provides for an overall annual revenue increase not in excess of \$214,450, or approximately 8.3%. Based on the OCA's analysis of Hanover's filing, the proposed increase under the Settlement represents an amount which, in the OCA's view, would be within the range of the likely outcomes in the event of full litigation of the case.

Under the Company's rate request, the annual bill for a residential customer using 11,000 gallons of water per quarter would have increased from \$40.72 per quarter to \$46.13. However, under the proposed Settlement, a residential customer using 11,000 gallons of water per quarter would pay \$43.03 per quarter.

¹McSherrystown Borough subsequently withdrew its complaint.

III. STAY-OUT PROVISION

Under the proposed Settlement, Hanover cannot file for another general rate increase before May 1, 2004. The proposed stay-out provision should prevent another rate increase before February, 2005, assuming the Company files as soon as the stay-out expires and assuming the next case is fully litigated. Thus, Hanover's ratepayers will be assured of some level of rate stability.

IV. CONCLUSION

The terms and conditions of the proposed settlement of this rate proceeding represent a fair and reasonable resolution of the issues and claims arising in this proceeding. If approved, the proposed Settlement would provide for an increase of \$214,450 to annual revenues, reduced from the \$521,339 annual increase proposed in the Company's filing. In addition, the ratepayers will benefit from the stay-out. Finally, the Commission and all parties would benefit by the reduction in rate case expense and the conservation of resources made possible by adoption of the Settlement in lieu of full litigation.

WHEREFORE, for the foregoing reasons, the Office of Consumer Advocate submits that the proposed Settlement is in the best interests of the customers of Borough of Hanover/Hanover Municipal Water Works.

Respectfully submitted,


Christine Maloni Hoover
Senior Assistant Consumer Advocate

Counsel for:
Irwin A. Popowsky
Consumer Advocate

Office of Consumer Advocate
555 Walnut Street, 5th Floor, Forum Place
Harrisburg, PA 17101-1923
(717) 783-5048

Dated: February 13, 2003
00072821.WPD

METTE, EVANS & WOODSIDE

A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW

RECEIVED

2003 MAR -6 AM 9:36

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JAMES W. EVANS

*MARYLAND BAR

March 5, 2003

Honorable Louis G. Cocheres
Administrative Law Judge
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: **Pennsylvania Public Utility Commission v. Borough of Hanover**
R-00027522
R-00027522C0001-C003

6465.4

Dear Judge Cocheres:

I write on behalf of West Manheim Township, Complainant in the above identified rate case.

On February 20th, a Joint Petition for Settlement ("Petition") was filed with Herbert R. Nurick, Mediator. The Petition was signed by the Office of Trial Staff, the Office of Consumer Advocate, and the Borough of Hanover. West Manheim Township did not sign the Petition when the document was filed with Mr. Nurick.

Please be advised that West Manheim Township has approved the Petition. The Township's approval was rendered last week when a quorum of the Board of Supervisors met to review and discuss the Petition. In lieu of the Township's execution of the Petition, please accept this letter as the Township's representation that it is in agreement with the Petition and it wishes to settle the above captioned rate case on the terms and conditions set forth in such Petition.

Based on the terms of your e-mail communication of February 28, I understand that Mr. Paden will provide your office with appendices "A" "B" to the Petition. I further understand that you anticipate commencing work on the Recommended Decision no sooner than mid-March. As you prepare to begin work on the Recommended

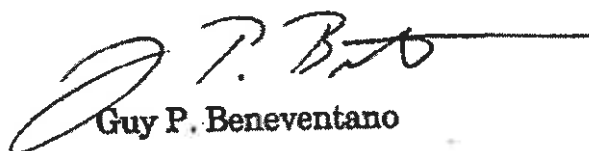
March 5, 2003

Page 2

Decision, please contact me if you are in need of information or further documentation from West Manheim Township.

Thank you for your attention to this letter.

Very truly yours,



Guy P. Beneventano

GPB/sec

cc: Herbert R. Nurick, Mediator
Jan P. Paden, Esquire
Christine Maloni Hoover, Esquire
Richard A. Kanaskie, Esquire
Dean Hempfing, Township Manager